

**CERTIFIED**

Person to Contact: [REDACTED]  
 Telephone Number: [REDACTED]  
 Refer Reply to: [REDACTED]

Date: MAY 21 1990

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

According to your By-laws, your organization is an association of professional men, organized for the purpose of promoting communication, socialization and political awareness through a network of mutuality.

Your activities are designed to provide pleasure and recreation for your members. You hold a social meeting every week where your members come together for fellowship, food and refreshments. In addition, you sponsor various social activities during the year such as dances and trips.

Your weekly meeting is held at an independently owned facility and nonmembers are allowed to be present. Nonmembers are also permitted to attend your dances, discussion forums, parties and conventions.

Your weekly meetings are held at the [REDACTED] which is a for-profit establishment. [REDACTED] pays a stipend to your organization which helps to support your activities. During [REDACTED] and [REDACTED], [REDACTED] paid your organization \$[REDACTED] which was your primary source of income for those years.

The following statement appeared in your application:

The applicant is an organization comprised of professional individuals. As professionals, the members are the type of individuals with whom people like to associate. Consequently, a large group of people tend to go to the establishment where the applicant has its weekly gatherings. [REDACTED], a for-profit organization, recognized that if the applicant's gatherings were held at its facility, there would be both increased business on the night of the gatherings and also the goodwill generated from having its establishment associated with the applicant. [REDACTED], therefore, offered the applicant a stipend if the applicant would hold its weekly gathering at [REDACTED]. Since the applicant had no facility of its own and needed to hold its gatherings somewhere, it agreed to accept the proposal.

5-11-40  
Letter sent

|         | Initiator  | Reviewer   | Reviewer   | Reviewer   | Reviewer   | Reviewer   | Reviewer   |
|---------|------------|------------|------------|------------|------------|------------|------------|
| Code    | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Surname | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Date    | 5/8/90     | 5/8/90     | 5/8/90     | 5-9-90     | 5-11-90    | 5/18/90    |            |

Section 501(c)(7) of the Code provides for exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

Revenue Ruling 66-149, 1966-1 C.B. 146, states that a social club is not exempt from Federal Income Tax as an organization described in section 501(c)(7) where it regularly derives a substantial part of its income from nonmember sources such as interest and dividends.

Public Law 94-568, Senate Report 94-1318, 2d Session, 1976-2 C.B. 597, 599, provides that social clubs are allowed to receive up to 35% of all gross receipts, including investment income, from nonmember sources. No more than 15% of all gross receipts may be derived from the general public's use of the club facilities and services.

You do not qualify for exempt status under Section 501(c)(7) because more than 35% of your gross income for tax years [redacted] and [redacted] has been derived from [redacted]. You, therefore, have not met the requirements of Public Law 94-568. In addition, by making your social activities available to the general public, you are not operating exclusively for non-profitable purpose within the meaning of section 501(c)(7) of the Code.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

[REDACTED]

If we do not hear from you within 30 days from the date of this letter this determination will become final.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Very truly yours,

[REDACTED]

[REDACTED]  
District Director

Enclosures:  
Publication 892  
Form 6018